



December 12, 2011

Brian Evert  
Director, New Construction  
US Fab  
1801 16<sup>th</sup> Avenue SW  
Seattle, WA 98134

Mr. Evert:

This letter is in response to your letter of December 6, 2011 regarding your notice to terminate the contract between Martinac and US Fab for work on the 144-car ferry for the Washington State Ferry system. To say that I am disappointed is an understatement. To say that I am surprised would not be accurate.

I'm going to take a pass on responding to the many errors, mischaracterizations, and half truths contained in your letter and get straight to the point. Martinac disputes any contention that we are, or ever have been, in default. Further, I do not believe the terms you offer Martinac in your Right of First Refusal reflect the true cost of the scope of work, and neither do I believe they are offered in the spirit of partnership in which this project was initiated by the Governor and Legislature. Proving that, however, against the closed loop you've created and the estimate you solicited from Alabama would be impossible to do in the week you've given us to respond. Martinac does not enjoy the umbrella of protection afforded to US Fab's own subsidiaries for bidding this work.

That said, we want the work and we think the original deal negotiated by Governor Gregoire where Todd (US Fab), Nichols, and Martinac would share the work of constructing the 144-car ferry should remain in effect. It's important to our yard and the people that work here that it does.

We are willing to test the theory that the scope of work described in the RFP dated September 23, 2011 could be performed in line with your estimates by accepting your offer of a composite hourly change order straight time rate of \$74.25/hour and a composite hourly overtime rate of \$ 95.00 on a "Time and Material" basis, on the scope of work as agreed described on September 23, 2011, and performing that scope of work at the direction of US Fab managers. We would like to point out that our overtime rate of \$95.00 (vs. US Fab's \$111.37) is computed correctly according to normal practice in the industry using only 1.5 times the direct labor rate versus 1.5 times the entire \$74.25 billing rate. As you have stated on several occasions, the taxpayers should be well served.

Vigor can order as much of the material as you deem appropriate for use on our portion of the contract and provide for its delivery to our yard, leaving us to work with our union craftspeople to install it. This will allow you to control costs in accordance with your own estimates, but still preserve the original basis for the deal negotiated by the Governor, namely, keeping the work in Washington and spreading it between Island, King, and Pierce counties.

We trust that you will accept this response as a clear and proper articulation of our acceptance of the work, and that since we are acceding to your cost demands and giving you control over the material acquisition process that we can conclude the "negotiation" and get to work.

Sincerely,



Joe Martinac  
President

cc: Governor Christine Gregoire  
Washington State Transportation Secretary Paula Hammond  
Representative Larry Seaquist  
Representative Jan Angel  
Senator Derek Kilmer  
Representative Jeannie Darneille  
Senator Debbie Regala  
Representative Steve Kirby  
Representative Connie Ladenburg  
Representative Cathy Dahlquist  
Senator Randy Becker  
Representative Jim McCune  
Senator Jim Kastama  
Representative Hans Zeiger  
Pierce County Executive Pat McCarthy